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Illegal Swapping Of Defense Data Is Investigated

Officials Say Suppliers May Have Used Secret Papers In Bidding on Contracts

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WASHINGTON — Defense Department investigators contend that widespread illegal trafficking of classified Pentagon documents among a group of major military contractors may have hurt competitive bidding for some weapons systems since the early 1980s.

Joseph Sherick, the department's inspector general, disclosed in an interview this week that he is heading a criminal investigation to determine whether as many as a dozen large contractors hired private consultants over the years to obtain unauthorized access to certain classified military documents.

Mr. Sherick maintained that many of the companies may have used the information to gain an unfair competitive edge in bidding on multimillion-dollar contracts. He confirmed that the investigation covers the activities of Northrop Corp., UTL Corp., TRW Inc., Sanders Associates Inc. and "a potentially larger number of other" major Pentagon suppliers, which he declined to identify.

A Northrop spokesman said the company wasn't aware of the current investigation. The three other companies named couldn't be reached for comment. In the past, the four companies have denied any improper activities involving the acquisition of military documents.

Other federal officials familiar with the investigation said the Pentagon's Defense Criminal Investigative Service has requested information from, or analyzed documents relating to, the activities of as many as 15 large military contractors. But the officials refused to identify the companies and emphasized it's too early to determine whether any of them will become formal targets of the investigation.

Spokesmen at the Defense Department and the Justice Department declined to go beyond Mr. Sherick's comments and didn't provide additional details about the status or the focus of the investigation. Some current and former Pentagon officials have privately criticized the Justice Department for failing to prosecute such violations aggressively.

The problem of unauthorized document-swapping among military suppliers and their consultants appears to be an increasingly serious worry to the Pentagon's fraud investigators. Mr. Sherick, for example, earlier this week told a Senate Judiciary subcommittee headed by Sen. Charles Grassley (R., Iowa) that consultants' illegal "peddling" of classified military documents was more common and harmful to competition than the government previously indicated.

The practice provides "a tremendous advantage to those who get their hands on" such documents, the Pentagon's top antifraud official testified. The documents included internal Pentagon budget estimates and detailed five-year projections for electronic-warfare weapons.

Mr. Sherick told the subcommittee that Bernie Zettl, a well-connected industry consultant indicted last month for conspiracy and illegally passing on classified documents to GTE Corp. executives, provided unauthorized material to "probably several to a dozen" other large Pentagon contractors. Mr. Zettl has pleaded innocent to the charges. He couldn't be reached for comment, and his attorney didn't return phone calls.

In an interview after his congressional testimony, Mr. Sherick disclosed that his office is continuing to probe Mr. Zettl's work for other clients, as well as the activities of several other consultants and sup-

pliers that investigators suspect of trading in unauthorized documents. "Whatever evidence we can get" from the expanded investigation, Mr. Sherick said, "we will backtrack it" to the contractors involved.

"It's very much an open investigation," he said, adding that "we put too much money and energy into (the GTE) case," to let it drop without further investigation of similar suspected violations by other companies.

GTE, one of Mr. Zettl's former clients, decided to plead guilty to conspiracy charges last month, agreed to pay a total of \$590,000 to the government and pledged to adopt internal controls to prevent such violations from recurring. When GTE announced its intention to plead guilty, company spokesmen maintained that it was a "common industry practice" to hire consultants to obtain certain documents prepared by the Pentagon.

One Pentagon official said that during the initial GTE investigation, "a number of leads surfaced indicating that many other companies may have engaged" in clandestine purchases of classified documents in violation of national-security laws.

That issue was highlighted at this week's subcommittee hearing by the appearance of a surprise witness who previously played a key role in prosecuting GTE and Mr. Zettl. Robert L. Segal, a former senior Pentagon criminal investigator, asserted that "at least 25 companies" may have been guilty of "indiscriminate distribution of both proprietary and highly classified government documents" over the years. Prepared testimony submitted to the subcommittee by Mr. Segal didn't identify any of the companies, but he claimed many were "household names."

Justice Department officials asserted that Mr. Segal's statement included "massive distortions" and inaccuracies, and they persuaded Chairman Grassley to suspend the testimony on the grounds that it could jeopardize continuing criminal cases. Mr. Segal couldn't be reached for further comment about his assertions.

Meanwhile, Mr. Sherick and his investigators are hoping that Mr. Zettl or one of two other men indicted with him will agree to a plea bargain and provide prosecutors with additional evidence.